

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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TO SECSTATE WASHDC 3880

INFO AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: GATT, ETRD, AU

SUBJ: NEGOTIATIONS WITH AUSTRIA: MOTOR VEHICLE SURTAX

REF: STATE 288160

BEGIN SUMMARY. AUSTRIA QUESTIONED WHETHER LEATHER SKI BOOTS HAVE EVER ENTERED U.S. UNDER CONCESSION RATES, SAID IN ANY EVENT SKI CONCESSION OF NO VALUE TO AUSTRIA AND BECAUSE OF U.S.-LED ENERGY CONSERVATION PROGRAMS IT NOT APPROPRIATE FOR U.S. TO SEEK COMPENSATION OR WITHDRAW CONCESSIONS. REQUEST WASHINGTON VERIFY CUSTOMS ENTRY TREATMENT LEATHER SKI BOOTS. END SUMMARY.

1. ON NOVEMBER 26 AUSTRIANS EXPRESSED CONFUSION WHETHER LEATHER SKI BOOTS EVER RECEIVED ZERO DUTY TREATMENT IN U.S. THEY APPARENTLY OBTAINED U.S. BUREAU OF CENSUS TRADE STATISTICS WHICH SUGGEST LEATHER BOOTS CLASSIFIED UNDER 728 RATHER THAN 727. (THEY NOTED THAT PLASTIC BOOTS ARE ENTERING UNDER 758 BUT EVENTUALLY AGREED THAT LIMITED OFFICIAL USE

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FACT WAS IRRELEVANT.) WE SAID CENSUS DATA WERE STATIS-

TICAL ONLY AND ENTRY FOR DUTY PURPOSES WAS DETERMINED BY BUREAU OF CUSTOMS. WE EXPRESSED BELIEF THAT LEATHER BOOTS HAVE ALWAYS ENTERED UNDER A ZERO RATE SINCE 1967 AGREEMENT BUT PROMISED TO VERIFY THIS QUESTION OF FACT.

2. ACTION REQUIRED: WOULD APPRECIATE EARLY CONFIRMATION OF DUTY FOR CUSTOMS PURPOSES OF LEATHER SKI BOOTS AND INDICATION OF (A) ITEM UNDER WHICH THEY NOW ENTER, AND (B) ITEM OR ITEMS UNDER WHICH THEY HAVE ENTERED SINCE 1967.

3. REGARDLESS OF ABOVE FACTUAL CIRCUMSTANCE, AUSTRIANS SAID THEIR LEATHER SKI BOOT TRADE HAS DISAPPEARED: THEY LAST REGISTERED EXPORTS OF TWELVE PAIR LEATHER BOOTS IN 1973. THEY SAY CONCESSION HAS NO VALUE AND HAS HAD NO STIMULATING TRADE EFFECT. WE OF COURSE REMINDED THEM OF SHIFT TO USE OF PLASTIC BOOTS; THIS THEY DID NOT DISPUTE. AUSTRIANS SAID SINCE NEGOTIATIONS WERE BEING BASED ON PRINCIPLES OF ARTICLE XXVEEE, THEY NOTED THAT AD TO ARTICLE XXVIII (NOT 6 TO PARA 1 IN BISD) SAID CONCES- SIONS "JUDGED IN LIGHT OF CONDITIONS OF TRADE AT THE TIME OF THE PROPOSED WITHDRAWAL OR MODIFICATION".

4. AUSTRIANS ADMITTED THE OTHER COMPENSATION ITEM, 651.11 MANICURE SETS, STILL HAS VALUE. THEY CITED AUSTRIA'S EXPORT TRADE THIS ITEM APPROXIMATELY 2 MILLION DOLLARS IN 1973 AND 2.3 MILLION IN 1974, WHEN AUSTRIA WAS MAIN SUPPLIER. IN 1975 SALES DROPPED TO 1.2 MILLION DOLLARS WHEN EC WAS MAIN SUPPLIER, AND DURING FIRST NINE MONTHS 1976 TRADE OF 1.6 MILLION DOLLARS. WE SAID TRADE VALUE IN THIS ITEM THUS APPEARS MORE OR LESS CONSTANT AT APPROXIMATELY 2 MILLION DOLLARS ON ANNUAL BASIS.

5. AUSTRIA SAID VEHICLE TAX RATIO HAD BEEN CHANGED AND DID NOT ATTEMPT SUGGEST IT HAD NOT (AS APPARENTLY HAD AUSTRIAN FINANCE MINISTRY). THEY CITED VARIOUS U.S. URGINGS IN INTERNATIONAL ENERGY AGENCY ON NEED REDUCE FUEL CONSUMPTION OF AUTOMOBILES AND SAID IN MAY 1976 WHEN AUSTRIA PRESENTED NEW TAX PROGRAM, SAME WAS WELCOMED BY U.S. CHAIRMAN BAKKY. THEY SAID THEY NEVER WOULD HAVE LIMITED OFFICIAL USE

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MADE DECLARATION OF INTENT ON VEHICLE TAX RATIO IF THEY HAD KNOWN OIL CRISIS WAS COMING.

6. AUSTRIA SAID VEHICLE TAX RATIO BETWEEN UNDER AND OVER 2,500 CC ENGINES IN 1963 WAS 1:9.3, AFTER 1967 AGREEMENT BUT WAS 1:3.1. NOW RATIO IS 1:4.6, WHICH IS CLOSER TO KR AGREED RATIO OF 1:3.1 THAN EXISTED BEFORE THE CONCESSION. FURTHER STATED RATIO FOR USED CARS AFTER

THREE YEARS IS 1:3.5. THEY WENT ON TO GIVE VARIOUS
IRRELEVANT STATISTICS ABOUT DEVALUATION OF THE DOLLAR
AND AUSTRIA'S BILATERAL TRADE DEFICIT WITH U.S.

7. U.S. SAID PETROLEUM TRADE DEVELOPMENTS, ENVIRONMENTAL
CONSIDERATIONS, AND BILATERAL TRADE BALANCE NOT RELEVANT TO
THIS NEGOTIATION. EVEN IF PETROLEUM CONSERVATION ARGU-
MENT WERE RELEVANT, IT DOES NOT FOLLOW THAT ALL CARS
OVER 2,500 CC ARE WORSE THAN SMALLER CARS. THEY MIGHT
CARRY MORE PASSENGERS AND BE MORE ECONOMICAL THAN
EMPTY BUSES. WE SAID ARTICLE XXVIII PROVIDED FLEXIBILITY
FOR GATT CP'S, IN THAT IT NOT POSSIBLE TO ANTICIPATE
ALL DEVELOPMENTS WHICH MAY LATER CAUSE CP'S TO SEEK
RELEASE FROM THEIR BINDINGS. ALL THAT WAS REQUIRED WAS
PROPER COMPENSATION. WE DID NOT ACCEPT AUSTRIAN CON-
TENTION THAT TRADE DEVELOPMENTS AFTER SKI BOOT BINDING
REDUCED MAGNITUDE OF U.S. DAMAGE CLAIM.

8. WE ASKED THAT AUSTRIA PROVIDE STATISTICAL DATA ON
POSSIBLE U.S. COMPENSATION ITEMS MENTIONED PARAS 12, 13
15.

9. COMMENT: AUSTRIANS ATTEMPTED SUPPLY VARIOUS STA-
TISTICS ON "U.S." CARS FALLING UNDER AND OVER 2,500 CC
CAPACITY. HOWEVER, IT QUICKLY BECAME EVIDENT THAT THEY
COMBINING CARS MADE IN EUROPE BY U.S. COMPANIES WITH
U.S. EXPORTS. WE SAID U.S. INTERESTED ONLY IN EXPORTS
FROM THE UNITED STATES IN THIS NEGOTIATION. CATTO

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